

VZCZCXRO2115  
RR RUEHRG  
DE RUEHBR #1702/01 2281613  
ZNR UUUUU ZZH  
R 161613Z AUG 06  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC 6385  
INFO RUEHRI/AMCONSUL RIO DE JANEIRO 2689  
RUEHRG/AMCONSUL RECIFE 5297  
RUEHSO/AMCONSUL SAO PAULO 7759  
RUEHBU/AMEMBASSY BUENOS AIRES 4200  
RUEHAC/AMEMBASSY ASUNCION 5591  
RUEHMN/AMEMBASSY MONTEVIDEO 6405  
RUEHSG/AMEMBASSY SANTIAGO 5685  
RUEHPE/AMEMBASSY LIMA 3125  
RUEHCV/AMEMBASSY CARACAS 3389  
RUEHQT/AMEMBASSY QUITO 1936  
RUEHLP/AMEMBASSY LA PAZ 4781  
RUEHBO/AMEMBASSY BOGOTA 3885  
RUCPDO/USDOC WASHDC

UNCLAS SECTION 01 OF 03 BRASILIA 001702

SIPDIS

SENSITIVE  
SIPDIS

STATE PASS USTR:MSULLIVAN  
STATE PASS USPTO  
USDOC FOR 4332/ITA/MAC/WH/OLAC/MWARD  
USDOC FOR 3134/ITA/USCS/OIO/WH/RD/SHUPKA

E.O. 12958: N/A

TAGS: [ETRD](#) [BEXP](#) [KIPR](#) [EFIN](#) [SENV](#) [BR](#)

SUBJECT: BRAZIL: AMBASSADOR MEETS WITH MINISTER OF DEVELOPMENT,  
INDUSTRY, AND COMMERCE

REF: State 128359

¶1. (SBU) Summary. On August 8, Ambassador paid an initial courtesy call on Brazilian Minister of Development, Industry, and Commerce Luiz Furlan. The wide-ranging session touched upon a variety of topics, including the upcoming Commercial Dialogue meeting in Washington during the fall between USDOC Secretary Gutierrez and the Minister, the progress Brazil has made in stemming copyright piracy, the GOB's agenda on bio-fuels, and Brazil's desire to retain access to GSP benefits. In particular, the Ambassador emphasized his desire to promote greater bilateral trade and investment between the U.S. and Brazil, leveraging the private sector to the maximum extent possible. Finally, Minister Furlan stated that while he supported conclusion of a bilateral Brazil-U.S. tax treaty, the Finance Ministry had the lead on that issue. End Summary.

#### Commercial Dialogue

¶2. (SBU) Noting that the rate of growth in trade between Brazil and the U.S. has trailed that recorded between Brazil and other continents (Asia, Africa, and South America), Furlan declared that the bilateral Commercial Dialogue inaugurated in June 2006 was the way to get business relations with the U.S. back on track. He stated that he wanted to see concrete results coming from the requested October meeting with Secretary Gutierrez in Washington. (In a subsequent conversation with Emboffs, Pompeu Andreucci Neto, Furlan's International Affairs advisor, said that Brazil urgently needed both confirmation of the proposed October dates and a suggested format/agenda for the meeting.) The Ambassador suggested that each of the 4 Working Groups within the Dialogue identify one to two issues which could be resolved either in the run-up to the October meeting or at that session. This way, he noted, both sides could maintain momentum at the working level, and high-level issues could be addressed during the bilateral meeting. Andreucci added that one of Brazil's Working Group Chairs planned to travel to Washington in late August for consultations with his U.S. counterparts, while another planned to make a similar trip in September.

#### Bio-Fuels

-----  
¶3. (SBU) Furlan observed that Brazil stood ready to cooperate with the U.S. on bio-fuels (i.e., ethanol and related products), noting that he had previously spoken with Energy Secretary Bodman, Commerce Secretary Gutierrez, and former USTR Portman on this point and that

SIPDIS

President Lula, enamored with the idea of "planting energy," has frequently raised the issue in his conversations with President Bush. U.S. companies were now beginning to show interest in ethanol, he said. Archer, Daniels, Midland and four other U.S. investors had entered the market, while Bill Gates had acquired 25% of the firm Pacific Ethanol. Furlan stated that Brazil was actively seeking partners overseas and that he personally had traveled to Japan, Central America and Africa to pursue potential cooperative efforts. Furlan mentioned that President Lula had appointed him as the overall coordinator of a bilateral alternative fuels panel with Japan, and noted that Japan had been easier to engage on biofuels than the U.S.

¶4. (SBU) The Minister remarked that Brazilian producers were ramping up 100 new sugar cultivation projects, not using Amazon forest but land that had previously been devoted to pasture. The percentage of new cars sold in Brazil that sported flex-fuel technology had now reached 76 percent - versus 22 percent at the beginning of 2005 -- while the price difference between flex-fuel and traditional cars had dropped to zero. In closing, Furlan pointed out that Brazil's biofuel effort went beyond ethanol and included biodiesel (a blend of regular diesel and vegetable oil) and H-Bio (a locally designed product in which vegetable oil and diesel are refined into a new substance.)

¶5. (SBU) Ambassador Sobel noted that in the area of biofuels the USG was working hard on new technologies such as producing more efficient seeds and manufacturing ethanol from cellulosic matter.

BRASILIA 00001702 002 OF 003

Central America and the Caribbean could particularly benefit from greater use of ethanol production, he noted, given the relatively high proportion of income to GDP that a number of countries in those regions spend on fuel imports.

Intellectual Property

-----  
¶6. (SBU) Turning to the issue of IPR, the Brazilians noted that they had substantially improved their record on intellectual property rights. Enforcement aimed at copyright piracy had been strengthened, with the number of pirate goods confiscated at border inspections registering a marked increase. With respect to patents, Furlan noted that the Brazilian patent institute (INPI) was working to improve its review process. On trademarks, he said, INPI was even further advanced, as automation of the process would soon reduce the time required to obtain a trademark by 80 percent. Furlan invited the Ambassador to tour INPI facilities in Rio de Janeiro once that agency had completed its move to its new headquarters. The combined effects of the new building, the implementation of new hardware and software products, and additional personnel, he said, would result in a real change in the way INPI does business. For his part, the Ambassador thanked Furlan for his help in ensuring that two of the three U.S. pharmaceutical firms threatened with compulsory licensing came to an equitable settlement with the GOB and urged Brazil to rapidly agree to terms with the third company.

GSP

---  
¶7. (SBU) The Minister felt that U.S. multinationals were doing relatively well in Brazil, stating that sales for Dell, Microsoft, ADM, and Intel all had grown 40 percent as compared to last year. Indeed, he noted, Dell planned to open a new assembly plant in Sao Paulo, as lower taxes on computers and greater credit opportunities for low-income families had resulted in increased demand for PC's and laptops. He also noted that a decrease in grey-market computers has increased the sales of legitimate products. The early 2006 termination of the U.S. copyright industry's petition to revoke Brazil's GSP benefits reflected an implicit bargain, he declared: i.e., Brasilia would continue to improve its performance on IPR

enforcement while Washington would maintain Brazil within GSP.

18. (SBU) If in renewing the GSP the U.S. were now to exclude Brazil, he said, officials here would view this as "hitting below the belt" and not in keeping with the positive tone of current bilateral relations. The Ambassador stated that the Administration was currently formulating its options on GSP, though the U.S. Congress would ultimately decide whether it wanted to include Brazil within any renewal of the program or renew the program at all. The Ambassador took the opportunity to pass to Furlan reftel demarche. (Econ Counselor subsequently passed demarche points to the Ministry of External Relations.)

#### Investment and Engagement

19. (SBU) The Ambassador stated that in a prior meeting with one of President Lula's high-level policymakers, that interlocutor had noted that it was key to bring the benefits of democracy and economic growth to all within the hemisphere. The way to do this, he continued, was through greater investment in economic and human capital. The Ambassador stated that he planned to do his part by bringing players in U.S. capital markets to Brazil. Minister Furlan welcomed the Ambassador's remarks, noting that some movement was already afoot in the Sao Paulo Stock Exchange as that entity was engaged in merger talks with its Argentine counterpart. The Ambassador observed that Brazil could attract greater foreign investment - and assist its own private sector in the process - by concluding a bilateral tax treaty with the U.S. Minister Furlan agreed that such an accord would be desirable, but admitted that the lead on this issue was with the Finance Ministry.

#### Comment

10. (SBU) In Minister Furlan we have a very useful and practical

BRASILIA 00001702 003 OF 003

interlocutor, who has been particularly helpful to us in bringing about positive solutions on such hot-button issues as compulsory licensing of pharmaceuticals. While on many of the items on our trade agenda he is not the ultimate decision-maker, he has been influential in making our dialogue with the GOB friendlier to the interests of U.S. businesses.

Sobel